

Budget and Finance Committee
Meeting Minutes
August 15, 2008

The Bethany Beach Budget and Finance Committee held a meeting on Friday, August 15, 2008 in the Town Meeting Room.

Members present: Jerry Dorfman, Chairman, who presided; Don Doyle, Jack Gordon, Joseph Healy, Denise Boswell, Stanley Berkman and Phil Rossi.

Also present: Cliff Gravier, Town Manager; Janet Connery, Finance Director; JoAnna Nichols, Administrative Secretary; and other interested members of the public.

Call to Order

Mr. Dorfman called the meeting to order at 2:00 p.m.

Approval of the Agenda

Mr. Healy made a motion to approve the agenda. The motion was seconded by Mr. Doyle and was unanimously approved.

Approval of the Minutes from the July 25, 2008 Meeting

Ms. Boswell made a motion to approve the minutes. The motion was seconded by Mr. Doyle and unanimously approved.

Old Business – Financing Recommendations for the 8 ft Boardwalk Expansion

Mr. Dorfman referred to the information each committee member received in their packets which was sent out the previous week.

Between Brett Warner, Public Works Director and Kercher Engineering, Mr. Gravier said they feel staying with southern pine or wood decking is best. As far as what would be used for the railing, trek is still highly preferred. Costs for this project are currently estimated at \$668,000 to widen the boardwalk and \$229,000 to replace the boards on the existing boardwalk. This is less than the previous estimate. The existing boards would need to be replaced in approximately two years if they are not replaced as part of the widening project.

Referring to her handout, Ms. Connery and committee members reviewed three different financial scenarios for the boardwalk project. The scenarios showed an estimate of town funds without widening the boardwalk, widening and repaying the reserve within 5 years and widening and repaying the reserve within 7 years. Depending on how it was worked, Mr. Gravier explained the idea is to fund the widening project from the reserve for beach and boardwalk and the replacement of current boards from the replacement reserve. The replacement reserve was created last year and is intended to cover the cost of replacement or major maintenance of any assets the Town currently has, such as streets, buildings infrastructure, and vehicles.

The handout shows that taking up to \$250,000 from the replacement reserve and \$750,000 from the beach and boardwalk reserve with repayment in five years would leave roughly \$690,000 remaining for capital projects in FY 2010 other than those funded from the replacement reserve. Repaying the beach and boardwalk reserve in seven years would leave approximately \$732,000 for other capital projects.

Mr. Doyle questioned the inclusion of interest in the handouts calculations. Ms. Connery explained that she included a 3% interest rate in the calculation since the beach and boardwalk reserve would be expected to grow by at least this amount if the funds were not used to widen the boardwalk. Mr. Doyle expressed his preference that the Budget Committee support a repayment plan that would increase the reserve to a specific amount rather than have the town pay interest to itself. He suggested an ending reserve amount of \$900,000.

Mr. Dorfman pointed out that if just the boardwalk expansion were done without replacement of the current boards there would be two different colors of wood.

Mr. Gravier asked the committee to decide if they feel the Town is fiscally healthy enough for this project and what would be the preferred method of funding. Continuing, he said something to keep in mind is this may be a one time chance. Mr. Doyle agreed. Using the Nature Center as an example, he explained what can happen with permits and approvals over too much time. He added the administration at DNREC will be changing soon and that too may have an impact.

Mr. Healy stated the Town can likely afford to do the boardwalk expansion however questioned if the Town could also afford the unfinished Streetscape project, which would be an additional \$500,000-\$600,000.

Ms. Connery added that the figures on that handout are based on the current year budget and an estimated budget for FY 2010. History has shown that more is brought in on the revenue side than budgeted and less is spent than budgeted. Last year this amounted to a \$500,000 difference, however, that is not guaranteed every year with the ups and downs of the economy. It is an unknown at this point but is something to think about.

Mr. Doyle suggested making three different votes/motions for each issue. Committee members agreed.

Mr. Rossi made a motion to approve the boardwalk expansion and replace the existing boardwalk. Mr. Doyle seconded the motion and it was unanimously approved. This will be recommended to Council.

Mr. Doyle made a motion that the Budget Committee adopts the 5 year plan to repay both of the items in the previous recommendation. Ms. Boswell seconded the motion and it was unanimously approved.

Mr. Healy added that he thinks 7 years is possible, but he felt that the borrowing should not exceed the life expectancy of the boards. Engineers estimate board life at 5 years while town experience has shown they usually last 7 years. From a long term perspective, using a 5 years repayment is better

Mr. Gravier added that there would still be \$140,000 left unused in the beach and boardwalk reserve. The 1998 storm hit the boardwalk without the benefit of the dune we have currently. The repair of that damage was a little over \$100,000. He feels if there is a storm in the future which surpassed the dune and reached the boardwalk, that adequate resources would still be available.

Mr. Doyle stated all the Budget Committee can do is to recommend their ideas to the Council. Members agreed. Mr. Gravier asked the Chairman to amend the motion so it states not only is it the recommendation of the committee but that it establishes the Town has the fiscal resources and the necessary reserves to support the expansion and the re-decking.

Mr. Doyle amended the motion to say the financial capacity of the Town is strong enough to move forward on this, however Ms. Boswell added that in the amended motion, it should specify the Town has the fiscal resources and its coming from two separate places/locations within the budget. All agreed.

Mr. Gravier re-capped the motion that says, the \$160,000 will be repaid from undesignated reserves at the end of every fiscal year and that the fund then be capped at a new higher level of \$900,000.

Ms. Boswell pointed out if you put the number into the motion, making sure you get the yield that is necessary. Therefore, Ms. Connery said \$750,000 maximum from the reserve, paying back \$800,000 which still leaves \$100,000. Mr. Gravier suggested not to exceed \$900,000.

Mr. Rossi restated his prior motion that the Committee recommends that the Town proceed with the boardwalk expansion project and replacement of the current boards. The Committee believes that the Town's reserves and fiscal resources are sufficient to support this project.

Mr. Doyle asked if the current motion is to address the five year repayment. Members agreed. Therefore, the Committee agreed that the Town should repay to the reserve the cost of the expansion of the boardwalk over a five year period and increase the total held in reserve.

Mr. Healy moved that the Budget and Finance Committee recommends to Council that they use up to \$700,000 from the beach and boardwalk reserve to widen the boardwalk, designating \$160,000 each year for the next five years to bring the beach and boardwalk fund up to approximately \$900,000 at the end of that term. My Doyle seconded the motion and it was unanimously approved.

A separate motion made from the Budget and Finance Committee that the replacement of the re-decking be taken from the replacement reserve fund in the amount of up to \$300,000. Mr. Gordon seconded the motion and it was unanimously approved.

New Business

Mr. Dorfman addressed the agenda item to review the fee for out of town shuttle buses. The Town has charged \$3,000 for the past five years which he does not feel is sufficient. The State currently charges \$8,000 for shuttle access to Fenwick Island State Park. He feels our fee should be increased. In the past there was some concern over the possibility of a legal challenge from raising this fee. It was agreed this matter should be further reviewed by Terry Jaywork, Town Solicitor.

Ms. Connery stated the last few pages of information in the committee's packet on the Town's reserves and capital projects were also sent to Council last week. Her intent is to make sure the committee and Town Council are on the same page.

Ms. Connery reviewed the handout on the town's current reserves. She feels the reserve for emergency as well as the reserve for beach and boardwalk are sufficient for their purpose. The replacement reserves were just created last year with the understanding that an amount equal to depreciation plus 5% be added each year. The replacement reserves are sufficient for the general fund and sanitation fund but the water fund reserve is too low. The increase in water usage rates will help this reserve grow.

It was noted the water tower may need to be looked at sooner then later. Ms. Connery added that during this fiscal year, 1 of 2 water department debts will be paid off. This means that the sinking fund fee is starting to generate more revenue than the cost of the debt service. The sinking fund can be allowed to accumulate some funds in anticipation of a new loan, likely a water tower, within the next couple years. If no such loan is anticipated then the sinking fund rate should be decreased to an amount only sufficient to cover scheduled debt payments. This will be discussed further and decided on during the FY 2010 budget process.

The committee reviewed the Capital Project Prioritization pages which were included in their packet. The overall process was discussed as well as the roles of the Council and Committee. Capital needs to maintain the town at its current level of service were discussed separately from potential projects which improve or enhance the town. The proposed projects that the council is considering were each briefly discussed.

Mr. Mulligan shared his ideas for long term planning which also are separated into the two categories of maintaining current services and potential projects. He said that we cannot seek further significant cost reductions since the town is well run and efficient. Personnel has been cut 13% in the past several years without a reduction in services. Since the Town cannot fund all the potential projects the council must prioritize and decide which to fund. Overall, his focus is the continued education of citizens, public input and gaining committee consensus'.

In closing, Mr. Dorfman added with future planning or not, everything doesn't have to be brought to Town Council. In other words, every committee can make a recommendation via white paper

Mr. Doyle made a motion to adjourn the meeting at 3:58 pm. The motion was seconded by Mr. Dorfman and unanimously approved.